

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 4085

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AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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UNCLAS SECTION 01 OF 02 LONDON 13125

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TAGS: ELAB, UK

SUBJECT: UNEMPLOYMENT IN UK SOARS TO RECORD POST-WAR
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REF: LONDON 9522

SUMMARY - UNEMPLOYMENT IN THE UK HAS RISEN TO OVER 1,250,000 OR 5.4 PERCENT OF THE LABOR FORCE, THE HIGHEST LEVEL SINCE THE WAR, WITH AN UNPRECEDENTED NUMBER OF SCHOOL-LEAVERS OUT OF WORK. THE ONLY SLIGHTLY ENCOURAGING ASPECTS OF THE LATEST STATISTICS PUBLISHED BY THE DEPARTMENT OF EMPLOYMENT (DE) ARE THAT THE RATE OF INCREASE OF UNEMPLOYMENT HAS SLOWED, THOUGH IT IS STILL AGAINST THE SEASONAL TREND, WHILE THE NUMBER OF JOB VACANCIES HAS DECREASED BY LESS THAN COULD BE EXPECTED ON SEASONAL

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GROUND. COMMENTING ON THE FIGURES, BOTH THE GOVERNMENT

AND TUC HAVE STRESSED THE NEED FOR ACTION TO HELP THE SCHOOL-LEAVERS IN PARTICULAR, AND THE IMPORTANCE OF THE NEW COUNTER-INFLATION MEASURES IN HELPING TO IMPROVE THE ECONOMIC CLIMATE. END SUMMARY.

1. TOTAL UNEMPLOYMENT IN THE UK IN THE MONTH TO AUGUST 11 INCREASED BY 162,464 TO 1,250,334 OR 5.4 PERCENT OF THE LABOR FORCE COMPARED WITH 4.7 PERCENT LAST MONTH. IN GREAT BRITAIN, NORTHERN IRELAND EXCLUDED, THE TOTAL WAS 1,195,334 OR 5.2 PERCENT, AN INCREASE OF 159,066 ON LAST MONTH. MUCH OF THE INCREASE WAS ACCOUNTED FOR BY SCHOOL-LEAVERS ARRIVING ON THE UNEMPLOYED REGISTER. IN THE UK THE TOTAL OF SCHOOL-LEAVERS OUT OF WORK INCREASED BY 103,477 TO 165,623. THE DE POINTS OUT THAT A FACTOR IN THIS HIGH LEVEL IS THE RAISING OF THE SCHOOL-LEAVING AGE TO SIXTEEN, BRINGING SCHOOL-LEAVERS INTO THE AGE BRACKET FOR SUPPLEMENTARY BENEFITS AND THEREBY PROVIDING AN INCENTIVE TO REGISTER AS UNEMPLOYED. NEVERTHELESS, THE LARGE NUMBER OF YOUNG PEOPLE OUT OF WORK WOULD APPEAR TO REFLECT THE PRESENT BLEAK OUTLOOK FOR JOB PROSPECTS.

2. EXCLUDING SCHOOL-LEAVERS AND ADULT STUDENTS, UNEMPLOYMENT IN THE UK WENT UP BY 57,441 TO 985,378 WHILE IN GREAT BRITAIN ALONE THE INCREASE WAS 54,622 TO 943,744. THE SEASONALLY ADJUSTED TOTALS, GENERALLY TAKEN AS THE MOST ACCURATE INDICATORS OF THE BASIC TREND, INCREASED BY 32,300 TO 1,008,800 OR 4.3 PERCENT OF THE LABOR FORCE IN THE UK AND 29,200 TO 967,000 OR 4.2 PERCENT IN GREAT BRITAIN. IN COMPARISON WITH RECENT MONTHS THE RATE OF INCREASE HAS SLOWED. ON AVERAGE IN THE THREE MONTHS TO JULY SEASONALLY ADJUSTED UNEMPLOYMENT IN GREAT BRITAIN INCREASED BY ALMOST 60,000 A MONTH AND IN JULY ALONE BY OVER 74,000 WHILE IN THE THREE MONTHS TO AUGUST IT INCREASED BY 50,000 A MONTH.

3. THE OTHER MAIN INDICATOR OF THE STATE OF THE LABOR MARKET, THE NUMBER OF UNFILLED VACANCIES FOR ADULTS, DECREASED IN THE MONTH TO AUGUST 6 BY ALMOST 7,000 TO REACH 138,452. SEASONALLY ADJUSTED, HOWEVER, THE TOTAL IN-

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CREASED BY 5,000 TO 136,700. THERE WAS ALSO AN IMPROVEMENT IN THE NUMBER OF WORKERS ON SHORT-TIME WORKING, FROM AN ESTIMATED 145,000 IN JULY TO 128,000 IN AUGUST.

4. ON A REGIONAL BASIS, UNEMPLOYMENT THIS MONTH WAS HIGHEST IN THE NORTH WITH A RATE OF 7.9 PERCENT, WALES AT 7.4 PERCENT, THE NORTHWEST 7.9 PERCENT AND SCOTLAND 6.2 PERCENT. HOWEVER, THE GREATEST INCREASES IN REGIONAL

UNEMPLOYMENT WERE RECORDED IN THE SOUTHEAST AND THE WEST
MIDLANDS, AREAS WHICH NORMALLY ARE LEAST AFFECTED BY
RISING UNEMPLOYMENT. THE UNEMPLOYMENT RATE IN THE SOUTH-
EAST THIS MONTH WAS 3.5 PERCENT, AN INCREASE OF 0.5 PER-
CENT OR 39,039 ON LAST MONTH WHILE IN THE WEST MIDLANDS
THE RATE WAS 5.8 PERCENT, AN INCREASE OF 1.1 PERCENT OR
24,711.

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5. COMMENTING ON THE FIGURES, MICHAEL FOOT, SECRETARY
OF STATE FOR EMPLOYMENT, SAID THAT NO ONE SHOULD SEEK TO
MINIMIZE THE TRAGEDY AND WASTE INVOLVED IN A JOBLESS TO-
TAL OF SUCH A SCALE. HE ANNOUNCED THAT THE GOVERNMENT

WAS CONSIDERING SPECIAL PLANS TO CUT THE NUMBER OF UN-EMPLOYED SCHOOL-LEAVERS BY OFFERING STATE SUBSIDIES TO EMPLOYERS TAKING ON THOSE WHO OTHERWISE WOULD BE WITHOUT A JOB. CONCERN AT THE HIGH LEVEL OF YOUTH UNEMPLOYMENT ALSO CAME FROM THE TUC, WHICH STRESSED THE NEED FOR ACTION IN THIS AREA AS WELL AS SAYING THAT THE RISING LEVEL OF REGIONAL UNEMPLOYMENT UNDERLINED THE CASE FOR THE TEMPORARY EMPLOYMENT SUBSIDY SCHEME, WHICH STARTED AUGUST 18, TO BE AVAILABLE TO COMPANIES IN ALL PARTS OF UNCLASSIFIED

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THE COUNTRY NOT JUST THOSE IN AREAS CLASSIFIED AS ASSISTED AREAS.

6. COMMENT: NONE OF THE RECENT ECONOMIC FORECASTS PREDICTED THE SEVERITY OF THE RECENT JUMP IN UNEMPLOYMENT. THE FALL-OFF IN INDUSTRIAL OUTPUT HAS GREATLY WEAKENED THE LABOR MARKET. EMPLOYERS ARE NEITHER HIRING NEW EM-

PLOYEES NOR FILLING VACANCIES AS THEY ARISE. THIS PATTERN IS SIMILAR TO THAT IN THE U.S. LAST FALL AND WINTER AS REALIZATION OF THE SEVERITY OF THE RECESSION SANK IN. THE SCHOOL-LEAVER AND ADULT STUDENT ELEMENT UNDOUBTEDLY EXAGGERATED THE CURRENT RISE IN UNEMPLOYMENT BUT THE UNDERLYING TREND IS STILL UPWARD. WHILE IT IS UNLIKELY TO CHANGE DIRECTION DURING THE PERIOD OF THE ANTI-INFLATION PROGRAM THERE ARE SIGNS THAT THE RATE OF INCREASE WILL CONTINUE TO DECLINE IN COMING MONTHS.

RICHARDSON

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